

Homeowners on Shaky Footing Could Lose It All Over Taxes

By JACK HEALY

Hard times are causing more homeowners to fall behind on their property taxes. But in thousands of cases, they are not responsible to their local governments, but to private companies that charge double-digit interest and thousands of dollars in service fees.

This is because in recent years struggling cities and counties have sold their delinquent tax bills to the highest bidder. It seemed a painless way to turn old debts into cash to finance schools or public services.

But housing advocates say the private companies may be exacerbating the foreclosure crisis, pushing out homeowners faster than would governments, which are increasingly concerned about neighborhoods becoming wastelands of abandoned properties.

"In the beginning, you're getting this immediate windfall of cash," said Anita Lopez, the auditor of Lucas County, Ohio, which sold off more than 3,000 tax liens for \$14.7 million. The county includes Toledo. "But when you think about abandoned



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Christopher Clark amassed \$6,450 in delinquent taxes, and the debt was sold to a private firm.

properties, foreclosed properties — the cost to the community is far more expensive than the short-term benefits."

Investors say the arrangement actually benefits everyone. School districts, fire departments

and public parks get an infusion of cash. The investors take on a risky but potentially high-yielding investment. And taxpayers do not have to pick up the slack from scofflaw landlords or tax evaders.

Governments, of course, can charge interest and penalties too, and they foreclose on properties for back taxes. But governments charge interest rates that are half what private investors charge —

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often offering no-interest payment plans — and are also more likely to be concerned about the long-term prospects of neighborhoods.

In Toledo, one of the areas hardest hit by the downturn and by private lenders holding tax liens, homeowners like Richard Fix are facing foreclosure for a few thousand dollars in overdue taxes.

Mr. Fix said he lost his job with Chrysler in January 2008 and took a lower-paying job. As he and his family struggled to pay their mortgage, credit cards and other bills, he said they fell behind on \$5,900 in taxes.

"I'm in a no-win situation at this point," he said.

With the economy faltering and property values plunging, homeowners and landlords are falling behind on their bills or abandoning their property, just as governments are facing huge budget shortfalls.

Private investors step in and buy tax liens, paying governments upfront all or part of the

Private investors buy tax liens, with high interest rates and fees.

value of the taxes. The investors then get the right to foreclose on the properties, taking priority over mortgage lenders, and to charge interest rates as high as 18 percent on the unpaid taxes.

"It beats the heck out of any certificate of deposit," said Howard Liggett, executive director of the National Tax Lien Association.

Because the sales occur in a patchwork of cities and counties across more than two dozen states, there are no figures tracking the number of tax-lien sales nationwide. The liens that are sold come from cases in which homeowners pay taxes to the local government, not through their lenders. But Mr. Liggett, whose group represents tax-lien investors, said they generated about \$10 billion every year.

In 2006, Lucas County began selling off its overdue tax certificates to a New Jersey company named Plymouth Park Tax Services, a subsidiary of JPMorgan Chase. It also operates under the name Xspand.

The company, once run by the former governor of New Jersey, James J. Florio, was sold to Bear Stearns and then absorbed into JPMorgan after Bear's collapse last year. Today, Plymouth Park is one of the largest players in the tax-lien business.

Plymouth Park has filed more than 1,000 foreclosure actions against delinquent taxpayers, more than any single mortgage lender in the county. But it says that it has only foreclosed on 56 of those filings.

Plymouth Park has bought \$2 billion in tax liens across the country since 2008, and says the number of foreclosures around Toledo is an aberration.

All told, foreclosures in Lucas County rose to 4,093 in 2008 from 3,486 in 2007, and they are on track to be 7 percent higher this year than 2008, according to county figures.

Plymouth Park's president, John Garzone, said the company tried to set up payment plans with homeowners and foreclosed only as a last resort. The company said that the government would most likely have initiated many of those foreclosures on its own.

"Less than 1 percent of our overall investment actually becomes a foreclosed-on property," Mr. Garzone said. "Our main interest is to try and get the properties back onto the tax rolls."

But now, many are in danger of falling off them.

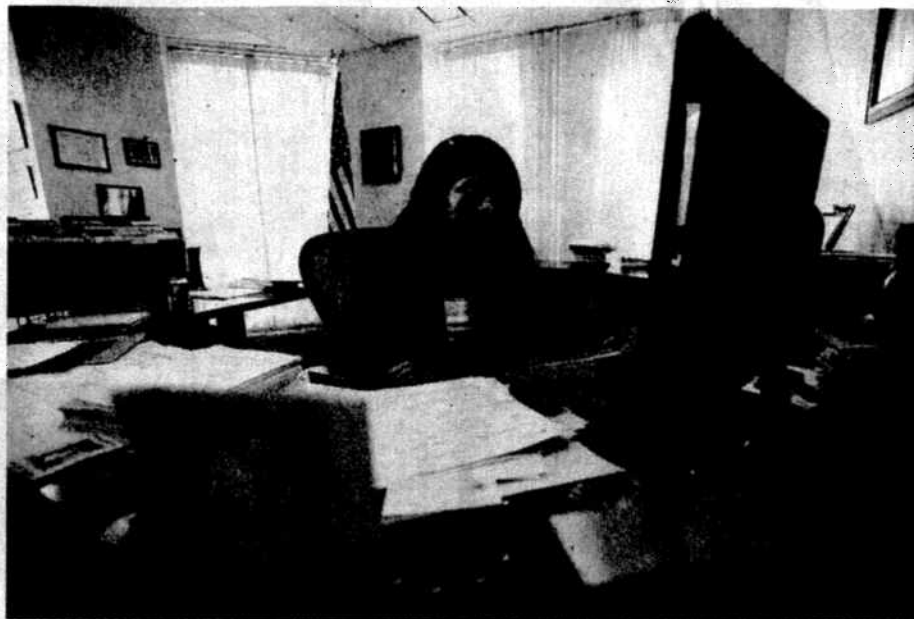
Christopher Clark, 57, lives in the Toledo home where he spent his teenage years and where he cared for his mother before she died. He said he scrapes by on \$674 in monthly disability payments and assistance from friends and by selling old books and a pipe collection on eBay.

He amassed \$6,450 in delinquent taxes over the years, a debt that was sold to Plymouth Park in 2007 and 2008. The company added \$1,853 in interest charges to the original bill, and various fees, according to Mr. Clark's lawyer, Deborah Tassie, and filed for foreclosure.

"I'm still in denial," Mr. Clark said. "I've been here through good times and bad, lousy neighbors and good neighbors. What I'm going to do, I have no idea."

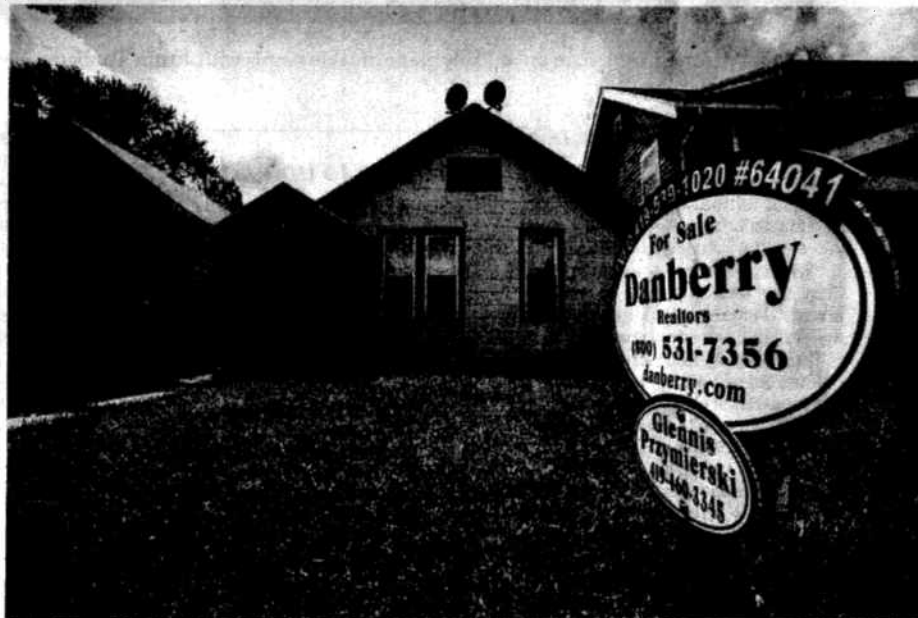
Plymouth Park said that it charged fees related to its legal costs only, and did not charge homeowners for its own administrative costs.

The county treasurer who arranged the tax sales, Wade Kapszukiewicz, said they were aimed at "out-of-town land speculators" and the most chronic tax delinquents, and were intended to



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"When you think about abandoned properties, foreclosed properties — the cost to the community is far more expensive than the short-term benefits," Anita Lopez, an auditor in Ohio, said.



Toledo, Ohio, is one of the areas hardest hit by tax liens held by private lenders. Investors have the right to foreclose on the properties, taking priority over mortgage lenders.

avoid the elderly and disabled.

"What is the alternative?" he said. "The alternative is to let people not pay taxes and do nothing about it."

But housing advocates in Lucas County said homeowners were overwhelmed by the fees and interest rates. Debts of \$3,300 grew to \$6,800. And while Plymouth Park offered a pay-

ment plan, lawyers said that many homeowners did not have enough money to make upfront payments of a \$1,000 or more.

Danyell Copeland, 36, is in court over a tax bill of less than \$2,000, her lawyer said. Ms. Copeland, who works as a cook at the University of Toledo, said she had been fallen behind on her bills after her hours and overtime were

cut.

She chose to not pay her taxes so she could make her mortgage payments, she said. Now she worries about losing the two-bedroom house where she grows tomatoes and peppers in the garden, and where her niece and nephew spend the summer.

"This is not just a house," she said. "This is a home."